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SUBJECT: KERALA COMMUNISTS ROCKED BY CORRUPTION CASE AGAINST KEY LEADER

11. (SBU) Summary: An investigation implicating Pinarayi Vijayan, the Kerala state secretary of the Communist Party of India-Marxist (CPM), in a corruption case has rocked the leftist party. Although the state and national party have closed ranks behind Vijayan, his arch-rival Kerala's CPM Chief Minister Achuthanandan has used the corruption case to continue their feud by lobbying for Vijayan's dismissal. Media sources predict that Achuthanandan may be forced to step down if he continues to challenge Vijayan, who controls the party apparatus and remains a powerful figure within the CPM at both state and national levels. In any case, the corruption case and the reinvigoration of the Achuthanandan/Vijayan feud only further harms the CPM's already poor prospects in the upcoming parliamentary elections. End summary.

Corruption case rocks the CPM

12. (SBU) The Government of India's criminal investigative arm, the Central Bureau of Investigation (CBI), has taken steps toward prosecuting Pinarayi Vijayan on charges of corruption. Vijayan, the State Secretary of Communist Party of India (Marxist) (CPM), leads Kerala's branch of the CPM. The CPM's national politburo confirmed rumors of the impending prosecution on January 22 when it issued a statement saying, "the steps taken by the CBI to prosecute Pinarayi Vijayan, Secretary of the Kerala State Committee of the CPI(M) and former Minister for Electricity, in the SNC Lavalin case are politically motivated." Alleging that the CBI was pursuing the case with an eye toward damaging the CPM in the upcoming Lok Sabha elections, the politburo warned that the party would "take this issue to the people and expose the political game plan."

13. (SBU) The CBI investigation centers on a \$75 million renovation project of three hydro-electric facilities in Kerala in the late 90s by the Canadian Company SNC Lavalin. According to media reports, the CBI alleges that in 1996-1997 then-Electricity Minister Vijayan conspired with the Electricity Board to award supply contracts to SNC Lavalin in return for a \$20 million grant by the company for the establishment of a cancer center in Thalassery, Kerala (which is located in the district where Vijayan was born). The CBI reportedly has charged that 11 people, including Vijayan, colluded to enter into a non-binding Memorandum of Understanding with SNC Lavalin to extend improper favors to the company. The state's Auditor General issued a report in 2005 finding that the \$75 million contract was almost a total loss for the state because the flawed renovation failed to improve output as expected. The Auditor General's report also exposed serious procedural deviations and avoidable payments to the company worth several million rupees. The report found that the Cancer Center only received 10% of the promised grant.

14. (SBU) Vijayan's supporters defended him by pointing to the Congress party's role in the project. Kerala Finance Minister Dr. Thomas Isaac (CPM), a staunch Vijayan supporter, published a letter arguing that the Congress-led government had actually initiated the project in 1996. Isaac also argued that Vijayan had negotiated substantial reductions in the project's cost. According to Isaac, the CBI's partisanship is evident in the fact it neglected to go after the Congress party officials involved in the affair.

CM refuses to back Vijayan but party leaders do

15. (SBU) Chief Minister Achuthanandan, Vijayan's arch-rival, refused to back Vijayan. Instead, Achuthanandan traveled to New Delhi to plead for Vijayan's ouster to CPM General Secretary Prakash Karat, according to various newspaper reports. Achuthanandan and Vijayan both serve on the CPM national politburo, which is headed by General Secretary Karat. The state CPM leadership, which is largely composed of Vijayan loyalists, was furious with the Chief Minister's move and has closed ranks around Vijayan. According to a Kerala media contact, the Chief Minister has painted himself into a corner and will have to either step out of the Chief Ministership or meekly surrender, if the CPM Politburo decides to continue supporting Vijayan.

16. (SBU) Comment: The SNC Lavalin case is a major blow to the CPM. It is the first time that a sitting member of the politburo has been charged in a corruption case. Worse yet for the CPM, the case has reopened the long-running feud between Vijayan and Achuthanandan -- a feud that resulted in Karat's 2007 decision to temporarily suspend them both from the politburo and has sapped the party's electoral potential. However Karat decides to resolve the dispute between the Kerala CPM's two most influential leaders, it is certain that the CPM will suffer badly in the upcoming Lok Sabha elections in Kerala, a state where the CPM-led leftist coalition is defending the 18 out of 20 seats it won in 2004. This makes Kerala one of the bright spots on the Congress Party's electoral horizon, because as the primary alternative to the state's communists it stands to gain those seats that the left alliance fails to defend. End comment.

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